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RR RUEHDE RUEHDIR
DE RUEHDO #0375/01 1330610
ZNR UUUUU ZZH
R 120610Z MAY 08
FM AMEMBASSY DOHA
TO RUEHC/SECSTATE WASHDC 7914
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RHMFIUU/DEPT OF ENERGY WASHINGTON DC

UNCLAS SECTION 01 OF 02 DOHA 000375

SIPDIS

E.O. 12958: N/A

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SUBJECT: QATAR ANNOUNCES RECORD BUDGET OF USD 28 BILLION
FOR 2008-09

SUMMARY

[¶1.](#) The government of Qatar approved last month the largest budget in the country's history. Government officials touted the 2008-09 budget as proof that the country remains committed to its sustainable development plans. Private sector leaders believe the 2008-09 budget creates more favorable conditions for private sector expansion and will help Qatar manager its economic development growth. END SUMMARY.

Qatar Announces 2008-09 Budget

[¶2.](#) The Government of Qatar announced April 1 the country's 2008-09 fiscal year budget. Estimated revenues for the 2008-09 budget are expected to total USD 28.3 billion (assuming that oil is priced at USD 55 per barrel), compared to USD 19.9 in the previous fiscal year (estimated oil priced of USD 40 per barrel), a 42.2 percent increase. About 70 percent of government revenues, roughly 85 percent of export earnings, come from oil and gas. Estimated public expenditures are expected to surge by 46 percent to USD 26.3 billion for 2008-09, up from USD 18 billion in 2007-08. Based on estimated government revenues and expenditures, the surplus for fiscal year 2008-09 will be USD 2 billion, up from a surplus of USD 1.85 billion last year.

Infrastructure Projects

[¶3.](#) The GOQ plans to invest significant sums on infrastructure development again this year. Qatar's 2008-09 budget allocates USD 8.4 billion for infrastructure development, representing 29 per cent of total public expenditures, up from the USD 2.75 billion allocated last year. Ongoing and new infrastructure projects include a new airport and seaport as well as upgrades to roads, sewers, water and electricity delivery systems, and oil and gas-related projects.

Health and Social Services

[¶4.](#) The GOQ will also continue to spend substantial sums on health and social services. The 2008-09 budget allocates USD 2.52 billion for health and social services, corresponding to 9.6 percent of the entire budget. These funds will be used to construct new health centers and continue the development of existing hospitals.

Education

¶5. Huge sums will also be spent on education. The 2008-09 budget allocates USD 5.4 billion for this purpose, representing 12.24 percent of the overall budget. A significant part of this sum will go toward the construction of new independent (i.e. charter) schools. (Note: Qatar has embarked on an education system reform program under which the GOQ provides buildings for self-managing institutions with international curriculum standards.) Large amounts will also go toward the Sidra Medical Center, a major hospital project. When completed, Sidra will serve as the primary teaching hospital for Weill-Cornell Medical College's Doha campus. The project is scheduled for completion in 2010 at a cost of USD 2.19 billion.

Statements by GOQ Officials

¶6. Qatar Finance Minister Yousef Hussain Kamal wrote in his annual budget statement that this year's budget reflects the government's intent to continue comprehensive and sustained development, while at the same time curbing the rate of inflation without reducing the level of public spending on major economic and social projects. Undersecretary of Finance Khalaf Al Mannai expected budget surpluses to continue over the coming several years, as Qatar continues to increase its oil production (with a goal of eventually reaching one million barrels a day) and press ahead with natural gas development projects, which could double Qatar's liquefied natural gas exports over the next three years. Al

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Mannai said Qatar's revenues would continue to increase given high global energy prices. This is the eighth year in a row that Qatar has projected budgetary surpluses. Al-Mannai said inflation - which reached 13.7 percent in the fourth quarter of 2007 - is the "natural result" of a large numbers of development projects that require large amounts of liquidity over a relatively short period. However, he said, combating inflation requires coordinated fiscal, monetary and related economic policies, noting that Qatar had taken steps to increase supplies of building materials, a shortage of which has been the main driver of inflation.

¶7. The GOQ has also taken measures, according to Al-Mannai, to cap rent increases, increase the supply of goods and services in other sectors, and boost subsidies for basic foodstuffs and raw materials. These policies are being implemented based on guidance from the Finance Ministry and the Central Bank of Qatar (CBQ). Despite its substantial energy income, Qatar still finds it necessary to borrow abroad to help fund its infrastructure projects. Mannai observed that, given the massive investment requirements over the next decade, Qatar has no alternative but to tap foreign sources of funds. He stressed, however, that the level of public debt is at a safe level. Qatar's debts are estimated at USD 33.1 billion (end 2007) and USD 39.5 billion (end 2008) according to a report published last March by SABB (formerly known as the Saudi British Bank).

Comments by Private Sector

¶8. Consensus among businessmen is that the 2008-09 budget creates very favorable conditions for continued private sector growth at a rapid pace. Businessman and president of the Qatar Businessmen Association Sheikh Faisal Al Thani predicted that the private sector would cope with the country's economic realities and witness further expansion and prosperity. Sheikh Khalifa Al Thani, Chairman of the Qatar Chamber of Commerce and Industry, said the 2008-09 budget focused on the "human component" of the economy and aimed to achieve a better standard of living for the nation,

reflecting a major transformation in the country's economic progress.

Strong Economic Performance

¶9. Despite inflationary pressures, the outlook for the Qatari economy remains positive, with projected 15.5 percent growth in GDP to about USD 73.7 billion in 2008. The economy will remain strong based on projected oil and natural gas sector revenues. An ongoing increase in domestic demand, mainly a result of the construction and financial services industries, will further bolster economic growth. According to a statement recently released by the Qatar General Secretariat of Development and Planning (GSDP), the growth rate outside the hydrocarbon sector in 2007 was nearly double that of the energy sector. Nominal GDP in 2008 will rise to USD 74.1 billion, with per capita GDP at USD 78,157, according to SABB.

Comment

¶10. Although growth in public spending over the past few years due to sharp growth rates in hydrocarbon incomes has been one of the main factors behind escalating inflation, the GOQ has obviously opted not to restrict expenditures to tackle inflation. Tempted by high oil prices and steadily increasing natural gas revenues, Qatar is unlikely to curb investment spending anytime soon. Inflation will remain high and continue to be the largest economic challenge facing the government in the months ahead.
RATNEY